

DELAWARE HEALTH FACILITIES AUTHORITY

Minutes of Meeting

of

April 23, 2014

A Meeting of the Delaware Health Facilities Authority (the “Authority”) was held after proper notice at 12:00 p.m., April 23, 2014, in the offices of Potter Anderson & Corroon LLP at 1313 N. Market Street, Wilmington, Delaware.

In attendance were Authority Members:

Rolf F. Eriksen (Chair)
Desmond A. Baker
Howard A. Palley, Ph.D.
William J. Riddle

Also in attendance were:

John J. Quinn, III, Esquire, Counsel to the Authority
Peter Kennedy, CPA, representing Cover & Rossiter, P.A., the Authority’s auditors (the “Auditors”)

In attendance in person in connection with the Beebe Medical Center, Inc. (“Beebe” or “Borrower” or the “Hospital”) Application for Revenue Bond Financing were:

Jeffrey M. Fried, Chief Executive Officer, Beebe
Paul J. Pernice, Chief Financial Officer, Beebe
Bruce H. Colbourn, PNC Bank, National Association (Bond Purchaser)
Emilie R. Ninan, Esq., Ballard Spahr LLP, Bond Counsel
Michael I. Davidson, Esq., Fineman, Krekstein & Harris, Borrower’s Counsel
John E. Cheney, Ponder & Co., Financial Advisor to the Borrower

Participating in the meeting by telephone were:

Emily Abrantes, Public Financial Management (Authority’s Financial Advisor)
(“PFM”)
Ayokunle Ogundeji, PFM
Christopher A. Lemming, Esq., Ballard Spahr LLP
Catherine L. Duffy, Bank of New York Trust Company (Trustee)

No members from the general public appeared during the course of the meeting.

After preliminary introductions, Mr. Eriksen, Chair, called the meeting to order at 12:20 p.m., thanked everyone for coming, and noted that the meeting is open to the public.

Consideration of the Beebe Medical Center, Inc.
Application for Revenue Bond Financing

The public hearing was then opened with respect to the request by Beebe to the Authority to issue revenue bonds in the aggregate principal amount not to exceed \$41,500,000.

Mr. Riddle, Member of the Authority, in the interest of full disclosure, advised the meeting that he is Executive Vice President of Community Bank Delaware ("CBD") and that CBD has certain business relationships with the Borrower. Upon inquiry by Mr. Quinn, Mr. Riddle stated that CBD's business relationships are not related to the proposed revenue bonds and that he, Mr. Riddle, is not involved in those business relationships.

At Mr. Eriksen's invitation, the Hospital and its advisors and the Authority Members participated in presentations and discussions regarding details of the Beebe Application. In particular, presentations of information and leading of discussions were made and done on behalf of Beebe by Ms. Ninan, Mr. Fried, and Mr. Cheney. It was explained to the Authority Members that the proposed bonds would be sold directly to PNC Bank and not to the public, and that the bonds would be separated and issued in two series for tax reasons. Ms. Ninan reported that the bonds will not be obligations of the Authority.

In response to a question by Member Palley, Mr. Fried reported that there is no need for a Certificate of Public Review ("COPR") because the bond proceeds were being used for a large number of small projects each of which falls below the COPR threshold. Mr. Quinn asked the Hospital's other representatives to confirm that that is their understanding of the Hospital's projects. All noted their agreement.

Following the general presentation and discussions, Mr. Eriksen asked Emily Abrantes, PFM, to note its position and make a recommendation to the Members based on the Hospital's financial condition. Mr. Quinn distributed to the Members copies of PFM's Approval Memorandum. After presentation and discussion, Ms. Abrantes stated PFM's favorable recommendation regarding the proposed bond issuance.

Mr. Quinn advised Mr. Eriksen that he has reviewed the bond documents, which are still currently circulating in draft form for comments, and that he is comfortable with the bond documents in their current form. Mr. Quinn noted that the Authority's Bond Committee, to be appointed, will have further opportunity to consider any material changes to the bond documents, within the limitations of the Bond Committee's authority as set forth in the resolution to be proposed.

Whereupon, Mr. Quinn, Counsel to the Authority, presented to the Members the proposed resolution entitled "A BOND RESOLUTION APPROVING A PLAN OF FINANCING AND THE EXECUTION AND DELIVERY OF CERTAIN AGREEMENTS, APPOINTING A COMMITTEE TO APPROVE THE FINAL TERMS OF ONE OR MORE SERIES OF BONDS, AND PROVIDING FOR OTHER MATTERS IN CONNECTION THEREWITH," a copy of which had been previously circulated to the Members and which is

attached hereto. Mr. Quinn summarized the proposed resolution for the Members and all in attendance.

Following Ms. Abrantes' presentation, Mr. Quinn's presenting of the proposed resolution to the Members, and further discussions, Mr. Eriksen called for a motion regarding the proposed resolution. Mr. Quinn advised Mr. Riddle that he was not required to abstain from the Members' consideration of the proposed resolution as a consequence of his employer's business relationships with Beebe. Upon motion made by Mr. Baker and seconded by Dr. Palley, the Authority Members present unanimously approved the resolution in the form attached.

At approximately 1:10 p.m., those in attendance representing Beebe thanked the Members for their consideration and support and exited the meeting room.

The Authority Members in attendance then turned to other Authority matters not pertaining to the Beebe Application.

Meeting of the Authority
(Matters not Pertaining to Beebe Application)

Financial Statements for the Year ended December 31, 2011

Mr. Eriksen asked Mr. Kennedy to discuss generally the financial statements for the year ended December 31, 2011.

Mr. Quinn distributed to the Members an updated copy of the audited 2011 financial statements marked "DRAFT" for review. Mr. Kennedy noted that the financial statements were prepared in accordance with United States GAAP and that the Auditor's Report opines that the financial statements fairly present the financial position of the Authority.

Mr. Eriksen opened the discussions to Members' questions and comments. In response to Members' questions, Mr. Kennedy explained that C&R corresponds with the banks and the hospitals to get the financial numbers used in the financial statements and audit. In the course of doing so, C&R relies in part on auditing work done by the individual hospital's auditors. C&R does spot checking of information. For example, bond amortization schedules were verified to confirm that they were reasonable.

Mr. Kennedy resumed his presentation and review of the financial reports. After his presentation, Mr. Riddle moved, seconded by Dr. Palley, that the financial statements be approved as presented. There was no further discussion. The Members voted unanimously in favor of approving the financial statements as presented.

At this time, Dr. Palley exited the meeting. The meeting continued with Messrs. Eriksen, Baker, and Riddle in attendance. This number still constituted a quorum under the Authority's bylaws.

Minutes from Authority Annual Meeting on December 17, 2013

After Member review and discussion, Mr. Eriksen asked if there were any changes to be made to the Minutes of the Authority Annual Meeting on December 17, 2013. Upon Mr. Eriksen's request, Mr. Riddle moved that the minutes be approved as presented. The motion was seconded by Mr. Baker and the Members unanimously approved the minutes of December 17, 2013.

Hospital Allocations (Assessments), 2013 Budget

During the course of the review and discussion of the Minutes of the Authority Annual Meeting on December 17, 2013, and continuing after the approval of said Minutes, Mr. Quinn reported to the Members that he had adjusted the annual hospital assessments as directed by the Members at the December 17, 2013 Meeting of the Authority. In particular, as previously directed by the Members, Mr. Quinn reported that he deducted from the Hospitals' aggregate assessments an amount equal to the Authority's legal fees that were applicable to 2012 but paid by the Authority in (and included in the budget for) 2013, which adjustment had previously been determined by the Members to be fair and equitable. Mr. Quinn advised the Members that this adjustment reduced the portion of the Authority's budget allocable to the hospitals to \$47,588, a 33.8% reduction. Mr. Quinn noted that this is primarily a timing difference in the hospitals' assessments since the Authority maintains its banking account levels at \$50,000, plus/minus \$20,000. Mr. Quinn also confirmed that he had determined that the reduction would not adversely affect the ability of the Authority to maintain its banking accounts within this historical range during the course of 2014. The hospital allocations, as so adjusted, are attached.

There being no further business, Mr. Eriksen adjourned the meeting at 1:40 p.m.

CERTIFICATION

I, Desmond A. Baker, hereby certify that the foregoing is a true and correct copy of the Minutes of the Special Meeting of the Delaware Health Facilities Authority held on April 23, 2014.

Desmond A. Baker
Secretary-Treasurer

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ATTACHMENT

DELAWARE HEALTH FACILITIES AUTHORITY

RESOLUTION

A BOND RESOLUTION APPROVING A PLAN OF FINANCING AND THE EXECUTION AND DELIVERY OF CERTAIN AGREEMENTS, APPOINTING A COMMITTEE TO APPROVE THE FINAL TERMS OF ONE OR MORE SERIES OF BONDS, AND PROVIDING FOR OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, by the Delaware Health Facilities Act (16 Del. Code Ann., §§ 9201-9222) (herein the "Act"), the Delaware Health Facilities Authority (the "Authority"), a public instrumentality of the State of Delaware (the "State"), was created for the purpose, inter alia, of issuing its revenue bonds in order to further the purpose and intent of the Act by benefiting the people of the State by, among other things, improving their health; and

WHEREAS, Beebe Medical Center, Inc. (hereinafter the "Hospital") has filed an application with the Authority dated March 21, 2014 (the "Application") requesting that the Authority issue its revenue bonds in one or more series (the "Series 2014 Bonds") the proceeds of which will be applied to: (i) to finance certain capital projects at various locations of the Hospital (ii) to currently refund the Authority's outstanding Variable Rate Demand Revenue Bonds (Beebe Medical Center Project) Series 2002 (the "2002 Bonds"); (iii) to currently refund the Authority's outstanding Refunding Revenue Bonds (Beebe Medical Center Project) Series 2004A (the "2004A Bonds"); and (iv) to pay allowable costs of issuance of the 2014 Bonds. The proceeds of the 2002 Bonds were used to (a) finance the acquisition of a 9-acre site on State Route 24 and the construction thereon of an approximately 25,000 square foot Outpatient Care Center; (b) finance the construction of renovations and improvements at the Hospital's Main Campus, including major improvements to the utility and other building infrastructure systems and Emergency Department improvements, and the purchase of medical, technology and other equipment; and (c) pay allowable costs of issuing the 2002 Bonds. The proceeds of the 2004A Bonds were used to (a) refund other series of bonds, the proceeds of which were themselves refunding or new money bonds used to (i) finance the construction and equipping of the Clinical Building on the Hospital's Main Campus; (ii) finance the construction and equipping of a five story inpatient tower and the renovation and expansion of the existing levels of the Hospital; (iii) finance the development of three satellite primary health care centers for the Hospital; and (b) pay certain costs of issuance of the 2004A Bonds.

WHEREAS, the Hospital has executed and delivered an Expense and Indemnity Agreement as required by the Authority; and

WHEREAS, the Authority now desires to adopt this bond resolution to approve a plan of financing for the above-mentioned purposes, and to appoint a committee to approve the final terms of the Series 2014 Bonds to be issued by the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Delaware Health Facilities Authority, as follows:

Section 1. The Authority hereby finds and determines:

(a) The purpose of the Act is to provide additional means for health care facilities to expand, enlarge and establish health care, hospital and other related facilities within the State; and

(b) By virtue of the Act, the Authority has been vested with all powers necessary and convenient to carry out the purposes and provisions of the Act, including the power to issue its bonds; and

(c) The Hospital is located within the State and is eligible for assistance from the Authority pursuant to the Act; and

(d) The Hospital will approve and authorize its appropriate officers to execute and deliver (i) the Loan Agreement (as defined below), (ii) the Bond Purchase Contracts (as defined below), and (iii) the Tax Compliance Certificate relating to Series 2014A Bond and the Tax Compliance Certificate relating to Series 2014B Bonds setting forth certain compliance requirements pursuant to the Internal Revenue Code of 1986, as amended (collectively, the "Tax Certificates"); and

(e) It is desirable and in the public interest for the Authority to issue and sell its revenue bonds to the Bank (defined below) for the purpose of effecting a financing substantially as described in the Application; subject, however, to the approval of the Bond Committee hereinafter appointed and compliance with certain limitations set forth in clauses (i)-(ii) of Section 5(b) hereof.

Section 2. (a) In connection with the foregoing and subject to the approval of the Bond Committee hereinafter appointed and compliance with certain limitations set forth in clauses (i)-(ii) of Section 5(b) hereof, the Authority hereby determines to approve the plan of financing substantially as described in the Application; and (b) the Authority hereby approves Ballard Spahr LLP as Bond Counsel.

Section 3. In connection with the foregoing and subject to the approval of the Bond Committee hereinafter appointed and compliance with certain limitations set forth in clauses (i)-(ii) of Section 5(b) hereof, the Authority hereby approves the form and substance of each of the following agreements and documents, each as presented in draft form at this meeting: (i) the Supplemental Indenture No. 5 between the Authority and The Bank of New York Mellon Trust Company, as trustee, which supplements the Trust Indenture dated as of April 1, 1990 between the Authority and Chase Bank USA, National Association (f.k.a Chase Manhattan Bank USA, National Association and successor Trustee to PNC Bank, Delaware and Bank of Delaware), as trustee, as amended by Supplemental Indenture No. 1 dated as of August 1, 1994; Supplemental Indenture No. 2 dated as of February 1, 2002; Supplemental Indenture No. 3 dated as of July 1, 2004; and Supplemental Indenture No. 4 dated as of September 1, 2005 (as supplemented, the "Trust Indenture"); (ii) the Sixth Supplemental Loan, Mortgage and Security Agreement dated as of June 1, 2014 between the Authority and the Hospital which supplements the Loan, Mortgage

and Security Agreement dated as of April 1, 1990 between the Authority and the Hospital, as amended by the First Supplemental Loan, Mortgage and Security Agreement dated as of August 1, 1994, the Second Supplemental Loan, Mortgage and Security Agreement dated as of February 1, 2002, the First Amendment to the Second Supplemental Loan, Mortgage and Security Agreement dated as of February 1, 2002, the Third Supplemental Loan, Mortgage and Security Agreement dated as of July 1, 2004, the Fourth Supplemental Loan, Mortgage and Security Agreement dated as of July 1, 2004, and the Fifth Supplemental Loan, Mortgage and Security Agreement dated as of September 1, 2005 (as supplemented, the “Loan Agreement”); (iii) the Confirmatory Assignment of Loan, Mortgage and Security Agreement dated as of June 1, 2014; (iv) the Bond Purchase Contract for the Series 2014A Bonds between the Authority and PNC Bank, N.A. (the “Bank”) dated May 28, 2014 (the “2014A Bond Purchase Contract”); (v) the Bond Purchase Contract for the Series 2014B Bonds between the Authority and the Bank dated April 30, 2014 (the “2014B Bond Purchase Contract” and together with the 2014A Bond Purchase Contract, the “Bond Purchase Contracts”); and further approves the Tax Certificates in such form and of such substance as the Authority’s counsel shall determine and approve and recommend to the Bond Committee for approval; in all of the foregoing cases with all with such changes as may be appropriate to reflect the final terms of the Series 2014 Bonds as determined by the Bond Committee appointed in Section 5 hereof.

Section 4. The Authority hereby authorizes the direct placement of the Series 2014 Bonds with the Bank.

Section 5. (a) Pursuant to § 9211(c) of the Act, the Authority hereby appoints a Bond Committee (the “Bond Committee”) which shall have the powers and authority (which is hereby delegated to the Bond Committee) as set forth in (b) below. The Bond Committee shall consist of: Desmond A. Baker, Rolf F. Eriksen, and Howard A. Palley, Ph.D. In the event of the inability of any member of the Bond Committee to act with respect to his obligations hereunder, the Chairman of the Authority may appoint a substitute therefor.

(b) The Bond Committee shall have the power and authority to (i) determine the terms of the Series 2014 Bonds, including, without limitation, the aggregate principal amount thereof, provided that the amount shall not exceed \$41,500,000; (ii) determine the maturity date not to exceed 50 years or other dates on which payment of the Series 2014 Bonds shall be due and the terms upon which the Series 2014 Bonds, or any portion thereof, may be redeemed, subject to the provisions of the Act; (iii) otherwise determine any of the matters set forth in § 9211 of the Act; (iv) award the Series 2014 Bonds to one or more purchasers for such price or prices and upon such other terms as the Bond Committee shall approve subject to the limitations set forth in this subsection (b); (v) approve the execution and delivery of the Series 2014 Bonds; (vi) approve the use of and the Authority’s execution, delivery and performance of the following documents in substantially the form presented to and approved by the Authority at this meeting with such changes as the Bond Committee shall deem necessary or appropriate in connection with the issuance of the Series 2014 Bonds: (1) Trust Indenture, and (2) Loan Agreement; (vii) approve the form and substance of, and authorize the execution and/or delivery of the Bond Purchase Contracts; and (viii) otherwise make such determinations and approve and authorize such documents (including documents with respect to credit enhancement, interest rate exchange, and interest rate setting of the Series 2014 Bonds) and actions as the Bond Committee shall, with the advice of the Authority’s counsel and financial advisor, deem advisable, subject

however, to the express limitations set forth in (i)-(ii) above. Compliance with the limitations and requirements set forth in clauses (i)-(ii) above must be confirmed by Public Financial Management, Inc., the Authority's financial advisor, as a condition to the Bond Committee's approval of the sale of the Series 2014 Bonds.

(c) Actions taken by the Bond Committee pursuant to the authority delegated above shall be taken upon the approval of a majority of the Bond Committee at one or more public meetings called for the purpose. Such meetings may be called by any member of the Bond Committee by written or telephonic notice given to each other member of the Bond Committee.

(d) The authority delegated to the Bond Committee by this Section 5 shall terminate and expire on December 31, 2014.

Section 6. The Series 2014 Bonds and interest thereon shall be limited obligations of the Authority payable solely out of the revenues and receipts to be derived pursuant to the Loan Agreement and the Trust Indenture and shall not constitute a debt or liability of the State or any political subdivision thereof, other than the Authority, nor is the faith and credit or the taxing power of the State or any political subdivision thereof, including the Authority, pledged to the payment of the principal of or the premium, if any, or the interest on the Series 2014 Bonds or other costs incident thereto.

Section 7. Subject to the approval of the Bond Committee and confirmation by Public Financial Management, Inc. of compliance with certain limitations as provided for in Section 5 hereof, the Chairman or Vice Chairman of the Authority, and each of the other officers of the Authority are hereby authorized and directed for and in the name of and on behalf of the Authority to do all acts, sign all documents required or provided for by the Bond Purchase Contracts, the Series 2014 Bonds, the Loan Agreement, the Trust Indenture, and to execute and deliver all such additional certificates, instruments and documents and pay all such fees, charges and expenses and to do all such further acts and things as may be necessary, desirable and proper to effect the purposes of the foregoing provisions of this resolution and to cause compliance by the Authority with all of the terms, covenants and provisions of such documents binding upon the Authority.

Section 8. This resolution shall take effect immediately upon its adoption.

ATTACHMENT

Hospital Assessments Against Authority 2013 Budget

DELAWARE HEALTH FACILITIES AUTHORITY

Allocation of 2013 Total Operating Budget

| <u>Facility</u> | <u>Annual Assessment</u> |
|---------------------------------------|---------------------------------|
| Bayhealth Medical Center | \$14,529.84 |
| Beebe Medical Center | 3,764.50 |
| Catholic Health East (Trinity Health) | 1,163.29 |
| Christiana Care Health System | 21,732.30 |
| Nanticoke Medical Center | 3,393.98 |
| Nemours Foundation | 3,004.09 |
| Total of Hospital Allocations | 47,588.00 |